

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saginaw Transit Auth. Regional Services	County Saginaw
Fiscal Year End September 30, 2007	Opinion Date January 18, 2008	Date Audit Report Submitted to State March 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

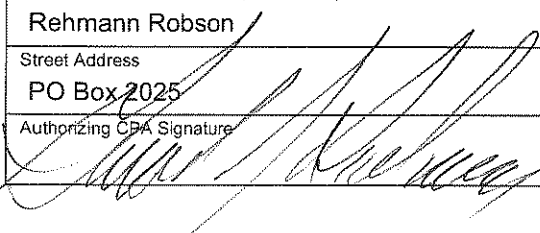
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None reported	
Other (Describe)	<input type="checkbox"/>	None reported	
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989) 799-9580	
Street Address PO Box 2025		City Saginaw	State MI
Zip 48605			
Authorizing CPA Signature 	Printed Name Gerald J. Desloover, CPA		License Number 1101007126



Annual Financial Statements, Auditor's Report and
Single Audit

September 30, 2007



Board of Directors

OFFICERS

Kevin Camese	Chairperson
Jeanne Swank	Vice Chairperson
Karen Courneya	Secretary
Daniel LaPan	Treasurer

MEMBERS

Valerie Hoffman	Trustee
Dennis Morrison	Trustee
Carl Ruth	Trustee
Wilnita Williams	Trustee
Dorothy Allen	Trustee

Administration

Sylvester Payne	General Manager
Paul Kekel	Assistant General Manager-Controller

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INDEPENDENT AUDITORS' REPORT

January 18, 2008

Board of Directors
Saginaw Transit Authority Regional Services
Saginaw, Michigan

We have audited the accompanying basic financial statements of Saginaw Transit Authority Regional Services, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saginaw Transit Authority Regional Services, as of September 30, 2007, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008, on our consideration of Saginaw Transit Authority Regional Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Saginaw Transit Authority Regional Services. The accompanying other supplementary information, as identified in the table of contents, and the schedule of expenditures of federal awards, as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

Saginaw Transit Authority Regional Services
Management's Discussion and Analysis
September 30, 2007

The following Management Discussion and Analysis (MD&A) of Saginaw Transit Authority Regional Services' activities and financial performance provides the reader with an introduction and overview to the basic financial statements for the year ended September 30, 2007. Following the MD&A are the basic financial statements of the Authority together with notes, which are essential to a full understanding of the data contained in the basic financial statements. We encourage readers to read the information presented in conjunction with additional information that we have furnished in the Authority's basic financial statements, to arrive at an understanding of the Authority's financial position.

Overview of the Financial Statements

Saginaw Transit Authority Regional Services' (STARS) financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The 2007 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As STARS comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses recognized in the period in which they are incurred. All assets and liabilities associated with the operation of STARS are included in the Statement of Net Assets, and depreciation of capital assets is recognized in the Statement of Revenues, Expenses and Changes in Net Assets.

The financial statements provide both long-term and short-term information about STARS' overall financial status as well as STARS' net assets, segregated by invested in capital assets, restricted and unrestricted. Net assets are the difference between STARS' assets and liabilities and over time may serve as a useful indicator of STARS' financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

Financial Analysis

Statement of Net Assets Analysis (Table 1)

Current assets consist of cash and cash equivalents, accounts receivable, taxes receivable, due from federal and state governments, inventory, and prepaid expenditures. The \$380,949, or 13.43%, increase in current assets can be attributed to the Authority's focus of increasing cash and cash equivalents through more efficient operations and the prepaying of 100% of the premiums on its general, auto, property and umbrella insurance coverage (prepaid expenditures).

Capital assets have significantly reduced, \$1,210,334 or 17.98%, over the prior year. This reduction in capital assets is a result of the Authority not receiving any capital funding for fiscal year ending September 30, 2007, ultimately limiting its ability to purchase capital assets. With only a limited amount of capital funding remaining, coupled with the continued depreciation of the Authority's current capital assets, total capital assets have gone from \$6,732,771 to \$5,522,437.

Based on the above, total assets have reduced by \$829,385, or 8.67%, due to the reduction in capital assets being far greater than the increase in current assets. This overall reduction has had a positive impact on the overall financial status of the

Saginaw Transit Authority Regional Services
Management's Discussion and Analysis
September 30, 2007

Authority, by both reducing the restricted portion of net assets and increasing the liquidity of the Authority.

Current liabilities consist of accounts payable, accrued payroll and payroll related liabilities, due to state government, health insurance claims payable and operating assistance payments received in excess of eligible expenses. The decrease in current liabilities, \$65,706 or 11.08%, is due to timing differences for accounts payable amounts due being greater reductions than the minor increases in health insurance claims and State of Michigan operating assistance payback amounts.

Long-term liability reductions, \$32,967 or 26.15%, derive from Collective Bargaining Agreement reductions in paid time off. Carry over from the prior year was significantly reduced, causing further reductions during the current year.

Total liabilities, in summary, have reduced \$98,673, or 13.73%, positively affecting the Authority's financial position. Similar to the increase in current assets, this change has positively affected the Authority's liquidity by reducing current liabilities.

Total net assets have decreased \$730,712, or 8.26%, from the prior year. As stated above, the larger reduction to total assets that the minor reduction to total liabilities is cause for this decrease in total assets. Although a reduction to total net assets is normally an indicator of a negative financial impact, this reduction has had positive effects on the Authority's financial position. Since the significant portion of the reduction has been in capital assets, this has reduced the invested in capital assets portion of net assets \$1,210,334, or 17.98%. In turn, by reducing the invested portion, the unrestricted portion has increased \$499,872, or 23.83%, providing the Authority with a more stable financial base. The restricted portion of net assets (restricted for future use in capital projects) was relieved during the current fiscal year by being used on the administrative office renovations, further relieving net assets in the amount of \$20,250.

**Table 1 - Saginaw Transit Authority Regional Services
Statement of Net Assets Analysis**

	FYE 9/30/2007	FYE 9/30/2006	Difference	
			\$	%
Current assets	\$ 3,217,438	\$ 2,836,489	\$ 380,949	13.43%
Capital assets	<u>5,522,437</u>	<u>6,732,771</u>	<u>(1,210,334)</u>	<u>-17.98%</u>
Total Assets	<u>8,739,875</u>	<u>9,569,260</u>	<u>(829,385)</u>	<u>-8.67%</u>
Current liabilities	527,150	592,856	(65,706)	-11.08%
Long-term liabilities	<u>93,086</u>	<u>126,053</u>	<u>(32,967)</u>	<u>-26.15%</u>
Total Liabilities	<u>620,236</u>	<u>718,909</u>	<u>(98,673)</u>	<u>-13.73%</u>
Invested in Capital Assets	5,522,437	6,732,771	(1,210,334)	-17.98%
Restricted	-	20,250	(20,250)	-100.00%
Unrestricted	<u>2,597,202</u>	<u>2,097,330</u>	<u>499,872</u>	<u>23.83%</u>
Total Net Assets	<u>\$ 8,119,639</u>	<u>\$ 8,850,351</u>	<u>(730,712)</u>	<u>-8.26%</u>

Saginaw Transit Authority Regional Services
Management's Discussion and Analysis
September 30, 2007

Statement of Revenues, Expenses and Changes in Net Assets (Table 2)

In total, operating revenues have decreased \$34,686, or 5.02%, primarily due to reductions in other revenue sources as explained below. Farebox revenues, consisting of passenger fares, passes, tokens and contracted fares, have increased \$71,261, or 13.28%. This increase can be attributed to additional sales of passes and increased ridership (11.67%) for fiscal year ending September 30, 2007. Other revenues, made up of concession sales, advertising, sale of maintenance services and miscellaneous sources, have decreased \$105,947, or 68.31%. The primary purpose for this decrease is a prior year gain on sale of assets in the amount of \$107,000, that if not incurred would have resulted in an increase in other revenue from the prior year.

Total operating expenses decreased by \$181,142, or 2.45%, which has been a result of continued efficiency improvements. Operating expenses consist of labor, fringes, services, materials and supplies, utilities, insurance, taxes and fees, operating leases and miscellaneous expenses such as travel and association dues. In comparing the line item detail for these expenses, it has been found that although a significant increase was noted in repair parts (materials and supplies) a greater decrease was noted in insurance expenses. The increase in repair parts comes from the Authority's continued efforts in maintaining an aging bus fleet while the decrease in insurance comes from a prior year one-time settlement. Depreciation remains comparable to the prior year, \$11,210 or 0.86% increase, due to the Authority not making any major capital purchases during the fiscal year.

Non-Operating income consists of property taxes, single business tax, urban and non-urban state operating assistance and federal operating assistance. In comparison to the prior year, total non-operating income (expense) has decreased \$829,964, or 12.69%. This decrease is due to reductions in property taxes, state operating assistance and federal operating assistance. Property taxes decreased due to collections coming in under estimates and both state and federal operating assistance are earned based on eligible expenses, which also experienced reductions over the prior year. In addition to these differences, prior year amounts included additional revenue from previous fiscal year operating assistance adjustments. Non-operating expenses consist of operating leases and interest paid on short-term municipal securities. These amounts remained comparable at a \$411, or 0.50% decrease.

Capital contributions include federal and state capital grant reimbursements for capital asset purchases. These contributions have decreased \$1,163,677, or 92.15%, over the prior year. This difference is due to the Authority not receiving any new capital funding for fiscal year ending September 30, 2007 and using the majority of prior year capital funding in the previous fiscal year.

In comparison to the prior year, change in net assets has decreased from a positive \$1,116,473 to a loss of \$730,712. Based on the above analysis, this decrease is primarily due to a lack of capital funding in the current fiscal year ending September 30, 2007. The prior year recording of previous fiscal year revenues for state operating assistance and property taxes also has contributed to this significant difference in the change in net assets. Ending net assets, therefore, has decreased over the prior year from \$8,850,351 to \$8,119,639 based on the current year change in net assets.

Saginaw Transit Authority Regional Services
Management's Discussion and Analysis
September 30, 2007

**Table 2 - Saginaw Transit Authority Regional Services
Statement of Revenues, Expenses and Changes in Net Assets Analysis**

	FYE 2007	FYE 2006	Difference	
			\$	%
Operating Revenues:				
Farebox	\$ 607,754	\$ 536,493	\$ 71,261	13.28%
Other	49,145	155,092	(105,947)	-68.31%
Total Operating Revenue	<u>656,899</u>	<u>691,585</u>	<u>(34,686)</u>	<u>-5.02%</u>
Operating Expenses	5,879,954	6,072,306	(192,352)	-3.17%
Depreciation	1,318,953	1,307,743	11,210	0.86%
Total Operating Expenses	<u>7,198,907</u>	<u>7,380,049</u>	<u>(181,142)</u>	<u>-2.45%</u>
Operating Income (Loss)	<u>(6,542,008)</u>	<u>(6,688,464)</u>	<u>146,456</u>	<u>-2.19%</u>
Non-Operating Income (Expenses):				
Income	5,795,222	6,624,775	(829,553)	-12.52%
Expenses	<u>(82,988)</u>	<u>(82,577)</u>	<u>(411)</u>	<u>0.50%</u>
Total Non-Operating Income (Expense)	<u>5,712,234</u>	<u>6,542,198</u>	<u>(829,964)</u>	<u>-12.69%</u>
Income (Loss) Before Capital Contributions	(829,774)	(146,266)		
Capital Contributions	<u>99,062</u>	<u>1,262,739</u>	<u>(1,163,677)</u>	<u>-92.15%</u>
Change in Net Assets	(730,712)	1,116,473		
Beginning Net Assets	<u>8,850,351</u>	<u>7,733,878</u>		
Ending Net Assets	<u>\$ 8,119,639</u>	<u>\$ 8,850,351</u>		

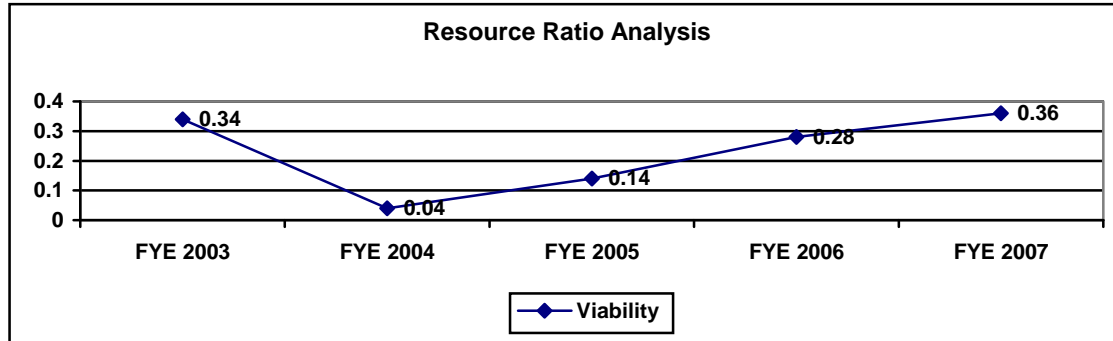
Financial Analysis Summary

In summary, the Authority's financial position has been found to have improved over the prior fiscal year, despite not posting the numbers it did in fiscal year ending September 30, 2006. Authority management perceives financial position as the status of the Authority with respect to two financial ratios, measuring two elements of financial health; viability and liquidity. In evaluating the financial position of the Authority, several factors, both economic and non-economic, can play a factor in the financial position of the Authority. Therefore, not only are the financial health elements measured, but the reasons for the changes in those factors are evaluated as well. Any factor significantly affecting the outcome of the financial health element must be taken into consideration with respect to the overall change and accordingly utilized to determine whether or not the factor or current operations was the primary reason for the change. Based on that analysis, the Authority will determine which operational changes are proven enhancements or proven failures.

Saginaw Transit Authority Regional Services
Management's Discussion and Analysis
September 30, 2007

Viability

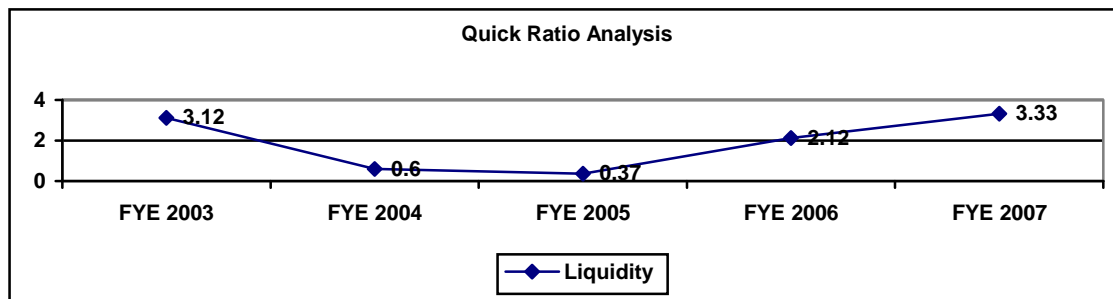
Viability can be defined as expendable net assets divided by total expenditures and can provide valuable information with regards to the Authority's margin against adversity. Since during the current year the Authority was able to increase unrestricted net assets and reduce total expenditures, viability has increased to the highest level it has ever been over the last five fiscal years as follows:



Despite economic factors such as rising fuel costs and the Authority's aging vehicle fleet, causing both increases in fuel and repair expenses, the Authority's approach during the current fiscal year has proven effective in becoming more efficient and capping costs of operating the current transit system. During the current fiscal year, the Authority's continued focus on proper budgeting of its resources has proven effective in keeping the operational costs to a minimum, ultimately aiding in its financial viability.

Liquidity

Liquidity can be defined as cash and cash equivalents and short-term investments divided by current liabilities and can provide valuable information regarding the Authority's ability to meet current obligations. Even though total assets have deteriorated during the current year, current assets increased at the same time both current and long-term liabilities decreased. These factors have all played a part in improving the Authority's liquidity and have brought it to a level higher than in the past five fiscal years as follows:



Economic factors have been researched and found to not have had an effect on the Authority's current year increase in liquidity.

In summary, the Authority has found that the overall financial position has improved over the prior year. Although several economic factors have played a part in the outcome of the Authority's current fiscal year, none have been noted to significantly impact the results. Many economic factors, such as rising fuel costs, have had an effect, however have been offset by savings in other areas such as labor, fringes and legal expenses.

Saginaw Transit Authority Regional Services
Management's Discussion and Analysis
September 30, 2007

Capital Asset Activity (Table 3)

As of September 30, 2007, the Authority had invested \$5,522,437 in capital assets, net of accumulated depreciation, of which \$5,228,593 were in service. This represents a \$1,210,335, or 17.98%, reduction in capital assets in service from the prior year, primarily due to a lack of capital spending and current assets depreciation during the current fiscal year.

Non-depreciable assets decreased from the prior year \$87,923, or 48.71%. This decrease was due to the prior year jobs in progress being completed and recorded as building improvements during the current fiscal year. Currently, another building improvement project (Administrative Office Renovations) is being completed, however the current project is less complete at year-end, causing the decrease in the jobs in progress category.

Building assets increased over the prior year \$196,541, or 3.63%, while office equipment and plant equipment decreased \$14,784, or 1.87%, and \$4,377, or .47%, respectively. The increase in buildings can be attributed to the Authority's window replacement project consisting of a total reconstruction of the window system for the Rosa Parks Operation Center. This project, along with sidewalk replacements in the amount of \$16,046, represents the entire increase in building capital assets. Office and plan equipment reductions are the result of the bi-annual asset test removing capital items no longer in service.

**Table 3 – Saginaw Transit Authority Regional Services
Capital Asset Activity**

	Beginning Balance 2006	Ending Balance 2007	Difference \$ %	
Business-Type Activities				
Capital Assets Not Being depreciated:				
Land	\$ 201,271	\$ 201,271	\$ -	0.00%
Job In Progress	180,495	92,572	(87,923)	-48.71%
Sub Total	<u>381,766</u>	<u>293,843</u>		
Capital Assets Being Depreciated:				
Building	5,406,969	5,603,510	196,541	3.63%
Vehicles	9,167,679	9,167,679	-	0.00%
Office Equipment	792,453	777,669	(14,784)	-1.87%
Plant Equipment	923,658	919,281	(4,377)	-0.47%
Sub Total	<u>16,290,759</u>	<u>16,468,139</u>		
Less: Accumulate Depreciation	<u>(9,939,754)</u>	<u>(11,239,545)</u>		
Net Capital Assets Being Depreciated	6,351,005	5,228,594	(1,122,411)	-17.67%
Capital Assets, Net	<u>\$ 6,732,771</u>	<u>\$ 5,522,437</u>	(1,210,334)	-17.98%

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,751,989
Taxes receivable	663,440
Accounts receivable	50,113
Grants receivable	5,609
Due from State	6,527
Inventories:	
Parts	134,335
Fuel	50,292
Oil	9,926
Prepaid expenses	545,207
Total current assets	<u>3,217,438</u>

Capital Assets

Land and land improvements	201,271
Jobs in progress	92,572
Building and building improvements	5,603,511
Maintenance equipment	919,280
Vehicles and related equipment	9,167,679
Office equipment	777,669
	<u>16,761,982</u>
Less: accumulated depreciation	<u>(11,239,545)</u>
Total capital assets	<u>5,522,437</u>
TOTAL ASSETS	<u>8,739,875</u>

LIABILITIES

Current liabilities

Accounts payable	85,156
Accrued payroll and related liabilities	115,634
Due to state government	36,715
Estimated health insurance claims payable	91,339
State of Michigan operating assistance received in excess of eligible expenses	<u>198,306</u>
Total current liabilities	<u>527,150</u>

Long-term liabilities

Accrued sick and vacation payable	<u>93,086</u>
TOTAL LIABILITIES	<u>620,236</u>

NET ASSETS

Invested in capital assets	5,522,437
Unrestricted	<u>2,597,202</u>
TOTAL NET ASSETS	<u>\$ 8,119,639</u>

The accompanying notes are an integral part of these financial statements.

**SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Operating Revenue:	
Farebox	\$ 607,754
Auxiliary Transportation	19,525
Nontransportation	29,620
Total Operating Revenue	<u>656,899</u>
Operating expenses:	
Labor	2,611,747
Fringes	1,393,253
Services	447,138
Materials and Supplies	760,462
Utilities	248,528
Insurance	313,080
Taxes and Fees	45,197
Miscellaneous	60,549
Depreciation	1,318,953
Total Operating Expenses	<u>7,198,907</u>
Operating (Loss)	<u>(6,542,008)</u>
Nonoperating Revenues (Expenses)	
Nonoperating Revenue:	
Local	2,169,488
State Formula and Contracts	1,917,392
Federal Contracts	1,663,943
Other	44,399
Nonoperating expenses	(82,988)
Total Nonoperating Revenues	<u>5,712,234</u>
(Loss) Before Contributions	(829,774)
Capital Contributions	<u>99,062</u>
CHANGE IN NET ASSETS	(730,712)
NET ASSETS, BEGINNING	<u>8,850,351</u>
NET ASSETS, ENDING	<u><u>\$ 8,119,639</u></u>

The accompanying notes are an integral part of these financial statements.

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2007

Cash flows from operating activities:

Operating revenue	\$ 664,198
Payments to suppliers	(2,064,465)
Payments to employees	(4,092,316)
Net cash used by operating activities	<u>(5,492,583)</u>

Cash flows from noncapital financing activities:

Proceeds from property tax revenue	2,051,866
Proceeds from state revenue sharing	200,270
Proceeds from operating grants	3,784,872
Payments for building lease and other nonoperating expenses	(82,988)
Net cash provided by noncapital financing activities	<u>5,954,020</u>

Cash flows from capital and related financing activities:

Acquisition and construction of property and equipment	(108,619)
Proceeds from capital grants	99,062
Net cash used by capital and related financing activities	<u>(9,557)</u>

Cash flows from investing activities:

Interest received	<u>44,399</u>
Increase in cash and cash equivalents	496,279
Cash and cash equivalents - beginning of year	<u>1,255,710</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,751,989</u></u>

Reconciliation of operating income to net cash used by operating activities

Operating loss	\$ (6,542,008)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,318,953
(Increase) decrease in assets:	
Accounts receivable	7,299
Inventories	537
Prepaid expenses	(58,259)
Increase (decrease) in liabilities:	
Accounts payable	(147,064)
Accrued payroll and related liabilities	(54,349)
Accrued sick and vacation payable	(32,967)
Health insurance claims payable	15,275
Total adjustments	<u>1,049,425</u>
Net cash used by operating activities	<u><u>\$ (5,492,583)</u></u>

The accompanying notes are an integral part of these financial statements.

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Saginaw Transit Authority Regional Services operates a public transportation system for the citizens of Saginaw County. It is incorporated under Public Act 196 of 1986, as amended. The Authority functions as a 9 member Board, all of whom are approved by the Saginaw City Council.

No component units are required to be reported in the Authority's financial statements.

Description of Fund

The Authority is reported as an enterprise fund in the financial statements. An enterprise fund accounts for operations: a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the cost (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

Saginaw Transit Authority Regional Services maintains its accounts and prepares its financial statements using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. All applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989 are applied, except for those FASB statements and interpretations that contradict GASB pronouncements.

Cash and Cash Equivalents

At September 30, 2007, cash and cash equivalents consisted of demand deposits and money market savings accounts.

Inventories

Maintenance parts, diesel fuel and oil inventory are recorded at the lower of average cost or market.

Prepaid Expenses

Prepaid expenses consist of various insurance premiums paid in advance.

Capital Assets

Capital assets are stated at cost or fair market value at the date of purchase or fair market value at the date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives as defined in the Revenue & Expense (R & E) Manual and/or as approved by Bureau of Passenger Transportation (BPT) as follows:

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

<u>Type of Asset</u>	<u>Useful Life in Years</u>
Building	20
Office Furniture, Fixtures, and Equipment	10
Communication Equipment	4-6
Cars-Taxi	3
Mini-Van, Maxi-Van, Mini-Van Conversion	4
Buses-Small (less than 30 feet/Light-duty chassis)	5
Buses-Medium (less than 30 feet/Medium-duty chassis)	7
Buses-Medium (30-34 feet/Heavy-duty chassis)	10
Buses-Large (35-60 feet/Heavy-duty chassis)	12
Trucks (Light-duty/under 13,000 lbs)	4
Trucks (Heavy-duty/over 13,000lbs)	6
Maintenance Garage Items	3-10

When assets are withdrawn from mass transportation service prior to the end of the asset's useful life, the grantee (the Authority) must remit to the grantor; the grantor's pro-rata share of the fair market value as of the date the asset was withdrawn from service.

The eligible depreciation of \$147,760 includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

Deferred Revenue

Recognition of deferred revenue relates to payments received by the Authority from State and Federal sources in advance of eligible expenses being incurred.

Compensated Absences

Paid time off is granted to all employees who have worked 1,000 hours in the prior year at a rate based on their years of continuous service. Unused paid time off may be accumulated not to exceed 40 hours for administrative staff and 240 hours for all other employees. Upon separation of employment, employees will be paid for unused paid time off.

Paid time off utilized during the current year is recorded as a current labor expenditure. At year-end, each employee's accumulated leave is computed by applying his or her current rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an adjusting entry posted to the liability and expenditures accounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Financial Statement Format

The format of the accompanying financial statements and schedules are presented in accordance with the Audit Guide for Transportation Authorities provided by the Michigan

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

Department of Transportation. This format does not vary significantly from the financial statement format prescribed under government accounting principles generally accepted in the United States of America.

NOTE 2 – CASH

Credit Risk – State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, banker's acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. As of September 30, 2007, the Authority did not have any investments.

Concentration of credit risk – The Authority has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of September 30, 2007, \$2,088,959 of the Authority's bank balance of \$2,347,718 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 is as follows:

Business-Type Activities	Beginning Balance 2006	Increases	Decreases	Ending Balance 2007
Capital Assets Not Being depreciated				
Land	\$ 201,271	\$ -	\$ -	\$ 201,271
Job In Progress	180,495	92,812	(180,735)	92,572
Sub-Total	381,766	92,812	(180,735)	293,843
Capital Assets Being Depreciated				
Building	5,406,970	196,541	-	5,603,511
Vehicles	9,167,679	-	-	9,167,679
Office Equipment	792,453	-	(14,784)	777,669
Plant Equipment	923,657	-	(4,377)	919,280
Sub-Total	16,290,759	196,541	(19,161)	16,468,139
Less: Accumulated Depreciation	(9,939,753)	(1,318,953)	19,161	(11,239,545)
Net Capital Assets Being Depreciated	6,351,006	(1,122,412)	-	5,228,594
Capital Assets, Net	6,732,772	(1,029,600)	(180,735)	5,522,437

Depreciation expense for the year ended September 30, 2007 was \$1,318,953.

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

NOTE 4 – LONG TERM DEBT

The Authority has long term debt consisting of paid time off hours accrued by the employees.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences \$	126,053	\$ 243,834	\$ 276,801	\$ 93,086	\$ -

NOTE 5 – DUE TO/FROM OTHER GOVERNMENTAL UNITS

Due to State Government

The Authority receives funding from the State of Michigan for the Local Bus Operating Assistance Program. The computation of the amount due to the State of Michigan is as follows:

	<u>Urban</u>	<u>NonUrban</u>	<u>Total</u>
Net Eligible Expenses	\$ 5,761,074	\$ 244,570	
Funding Rate	<u>0.325231</u>	<u>0.386208</u>	
Funding Earned	1,873,680	94,455	
Fundng Received	<u>1,984,204</u>	<u>98,175</u>	
Due to State Government	<u>\$ 110,524</u>	<u>\$ 3,720</u>	<u>\$ 114,244</u>

Due From State Government

The Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. The computation of the amount due from the State government is as follows:

	<u>NonUrban</u>
Net Eligible Expenses	\$ 244,061
Funding Rate	<u>0.17</u>
Section 5311 Revenue	41,490
Fundng Received	<u>34,963</u>
Due From State Government	<u>\$ 6,527</u>

NOTE 6 – RETIREMENT PLANS

The Authority has three retirement plans covering substantially all employees.

Defined Benefit Plan

Management and non-union employees participate in the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit plan. The System provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

The obligation to contribute to and maintain the System for these employees was established by the Board of Directors.

For the year ended September 30, 2007, the Authority's annual pension cost of \$29,238 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal actuarial cost method. Significant actuarial assumptions include: a 8% investment return; projected salary increases of 4.5% per year; and a percentage to reflect merit, longevity and promotional salary increases. The unfunded actuarial liability is being funded over 29 years.

Trend information for the three years ended December 31, 2004, 2005, and 2006 is as follows:

	12/31/04	12/31/05	12/31/06
Annual pension cost (APC)	\$ 25,464	\$ 19,548	\$ 25,135
Percentage of APC Contributed	100%	100%	100%
Percentage of actual payroll covered	6%	4%	5%
Net pension obligation	None	None	None
Actuarial value of assets (market value \$978,788)	742,285	867,277	965,285
Actuarial accrued liability	590,089	563,410	721,999
Unfunded actuarial accrued liability	(152,196)	(303,867)	(243,286)
Funded ratio	126%	154%	134%
Covered payroll	\$ 426,647	\$ 477,973	\$ 507,909
Unfunded actuarial accrued liability as a percentage of covered payroll	0%	0%	0%

United Steelworkers of America Local 9036 Employees

Eligible union employees (generally full-time bus drivers and maintenance employees) were participants in the National Industrial Group Pension Plan (NIGP) through November 1998 and the Steelworkers Pension Trust for the remainder of that fiscal year and all subsequent fiscal years. Both plans are non-contributory, and separately administered multi-employer defined benefit plans. Employees vest after the receipt of 5 vesting units if employed after 1988 and 10 vesting units if employed prior to 1988 or essentially when an employee reaches age 65. Pension benefits are determined by the plans based upon hours worked within each year (benefit unit) and the employer/union participation agreements. Contribution expense for employees to the plan was approximately \$133,105 for the year ended September 30, 2007, which represents 8.15% of covered payroll. The Authority and the employee union and not an actuary determine the Authority's required contribution rate.

No further contributions are required on behalf of the Authority above those specified in their Agreement with the union. As such, the obligation for benefit payments is completely transferred to the plans. Further information regarding the plans may be obtained from the Board of Trustees of the National Industrial Group Pension Plan, 71 Hanover Road, Fiorhom Park, New Jersey, 07932 or Steelworkers Pension Trust, 48 Main Street, Suite C, Dubuque, IA 52001.

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

401(a) Plan

The Authority has established a 401(a) (salary reduction) plan for S.E.I.U. 517M members to replace the 401(k) plan that was initially established by the former management agent. The plan allows only for employer contributions of \$1.00 per hour worked. The effective date of the plan was November 8, 2001. Employees of S.E.I.U. 517M are eligible for this plan after completing one year of service.

Employees become vested in the employer contributions at a rate of 25% per year for the first four years in the plan. Total and covered payroll for the year ended September 30, 2007, for the S.E.I.U. 517M plan was \$209,420. Employer contributions for the S.E.I.U. 517M plan were \$16,541, which represents 7.9% of covered payroll.

The above pension plans do not invest in derivatives.

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation) as well as medical benefits to employees. The Authority has purchased commercial insurance for all of these risks, except for medical benefits for employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Authority is essentially self-insured for employee's health, dental and vision insurances. An independent administrator who processes daily claims and performs management duties administers the self-insurance program. Currently, the Authority insures medical claims of up to \$1,500 for an individual employee subscriber and \$3,000 per family on an annual basis. The Authority has purchased insurance coverage to pay claims exceeding the self-insured portion. The Plan also contains certain co-payments, which are paid for by the Authority. The Authority is completely self-insured for dental and vision claims.

Management estimates the claim liability. Management estimates the incurred but not reported (IBNR) liability and both the estimated claim liability and the IBNR estimates are recorded as a current expenditure. No annuity contracts have been purchased to satisfy claim liabilities.

The changes in the claims liability for the two-year period beginning October 1, 2005 through 2007 are as follows:

Year	Beginning Of Year/ Period Liability	Current Year/Period Claims and Changes in Estimates	Claim Payments	End of Year/ Period Liability
2006	\$ 74,411	\$ 297,469	\$ 295,816	\$ 76,064
2007	76,064	329,995	314,720	91,339

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

NOTE 8 – DEFERRED COMPENSATION

Saginaw Transit Authority Regional Services offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Saginaw Transit Authority Regional Services for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of accounting principles generally accepted in the United States of America, plan balances and activities are not reflected in Saginaw Transit Authority Regional Services' financial statements.

NOTE 9 – OPERATING LEASE

During 2003, the Authority entered into a five year operating lease for an office building used for administrative purposes. The lease calls for annual lease payments of \$80,000. The Authority prepaid the entire operating lease with a federal capital grant in a prior year. The prepaid operating lease expired as of September 30, 2007 and no longer is reported under prepaid expenses. The current year lease expense amounted to \$80,000.

The Authority leases bus tires under an operating lease agreement expiring June 30, 2009. Contingent rents are payable based upon the Authority's tire needs and mileage. For the year ended September 30, 2007, tire lease payments were \$24,702.

NOTE 10 – SHORT-TERM MUNICIPAL SECURITY

During the current year, the Authority entered into a \$500,000 short-term municipal security (note) agreement with a local bank. The Authority used a portion of the note during the year. As of September 30, 2007, the Authority carried no balance and the note was closed.

Short-term municipal security activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Short-term borrowing	\$ -	\$ 286,251	\$ (286,251)	\$ -

NOTE 11 – COST ALLOCATION PLANS

The Authority has five cost allocation plans where the methodology has been approved by BPT. Those cost allocation are for urban and non-urban service, charter service, specialized services, outside maintenance service and job access reverse commute service. These cost allocation plans were adhered to in the preparation of the financial statements.

NOTE 12 – EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are only costs

Saginaw Transit Authority Regional Services
Notes to Financial Statements
September 30, 2007

in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The Authority did not incur expenses associated with 40610-Concession revenue or 40615-Advertising revenue and, therefore, no expenses are subtracted out as ineligible on any of the Authority's Operating Assistance Report (OAR) Schedules. Any capital money used to pay for operating expenses has been subtracted out as ineligible on the Authority's OAR Schedules.

NOTE 13 – CONTINGENCIES

The Authority has received federal and state grants for specific purposes, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants, management believes that any required reimbursements would not be material.

Various union grievances have been filed which have been scheduled for arbitration. The outcome at this time is not known. Management's position is that it has acted within the collective bargaining agreements.

NOTE 14 – ECONOMIC DEPENDENCY

The Authority received approximately 31%, 30% and 26% of its revenue from property taxes, state contracts and federal contracts, respectively. Due to the significance of these revenue sources to the Authority, the Authority is considered to be economically dependent upon them.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

January 18, 2008

Board of Directors
Saginaw Transit Authority Regional Services
Saginaw, Michigan

We have audited the basic financial statements of Saginaw Transit Authority Regional Services, as of and for the year ended September 30, 2007, as listed in the table of contents, and have issued our report thereon dated January 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saginaw Transit Authority Regional Services internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saginaw Transit Authority Regional Services internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saginaw Transit Authority Regional Services internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Saginaw Transit Authority Regional Services ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Saginaw Transit Authority Regional Services financial statements that is more than inconsequential will not be prevented or detected by Saginaw Transit Authority Regional Services internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Saginaw Transit Authority Regional Services internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saginaw Transit Authority Regional Services financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

January 18, 2008

Board of Directors
Saginaw Transit Authority Regional Services
Saginaw, Michigan

Compliance

We have audited the compliance of Saginaw Transit Authority Regional Services with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Saginaw Transit Authority Regional Services major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Saginaw Transit Authority Regional Services' management. Our responsibility is to express an opinion of Saginaw Transit Authority Regional Services compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saginaw Transit Authority Regional Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Saginaw Transit Authority Regional Services compliance with those requirements.

In our opinion, Saginaw Transit Authority Regional Services complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Saginaw Transit Authority Regional Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Saginaw Transit Authority Regional Services internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

**SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
SCHEDULE OF FINANCIAL AWARDS - FEDERAL AND STATE
FISCAL YEAR ENDING SEPTEMBER 30, 2007**

STATE AND FEDERAL TRANSIT CAPITAL IMPROVEMENT GRANTS

FEDERAL/PASS THROUGH GRANTOR PROGRAM TITLE	CONTRACT OR PROJECT NUMBER	FEDERAL CFDA NUMBER	AWARD AMOUNT	AMOUNTS EXPENDED FOR THE YEAR ENDED 9/30/2007	CUMULATIVE AMOUNTS AS OF 9/30/2007	UNEARNED AMOUNTS REMAINING
Direct:						
<i>Federal Transit Capital and Operating Assistance Grant(s)</i>						
	MI-15-X003-00	20.500	<u>\$ 1,000,000</u>	<u>\$ 99,062</u>	<u>\$ 949,317</u>	<u>\$ 50,683</u>

STATE AND FEDERAL TRANSIT OPERATING GRANTS

U.S.Department of Transportation

Direct:

Federal Transit Operating Assistance Grant	MI-90-X531-01	20.507	<u>\$ 1,622,453</u>	<u>\$ 1,622,453</u>	n/a	n/a
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Michigan Department of Transportation

Operating Assistance - Act 51

Fiscal Year 07	n/a	n/a	1,968,372	1,968,372	n/a	n/a
Fiscal Year 06	n/a	n/a	(19,210)	(19,210)	n/a	n/a
Fiscal Year 04	n/a	n/a	(32,313)	(32,313)	n/a	n/a
Fiscal Year 02	n/a	n/a	57	57	n/a	n/a

Public Transportation for Nonurbanized Areas	2007-0284 Z3	20.509	43,215	41,490	n/a	n/a
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Job Access Reverse Commute	2007-0284 Z2	20.516	98,752	723	n/a	n/a
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Specialized Services	2007-0284 Z1	n/a	<u>98,924</u>	<u>98,924</u>	n/a	n/a
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<i>Total State Operating Grants</i>			<u>\$ 2,157,797</u>	<u>\$ 2,058,043</u>	n/a	n/a
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Notes:

The above Schedule of Financial Awards - Federal and State includes the federal grant activity of Saginaw Transit Authority Regional Services and is presented on the accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

*Unqualified on
financial statements*

Internal controls over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified not

considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial
statements noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified not

considered to be material weaknesses?

_____ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A-133,
Section 510(a)?

_____ yes X no

Identification of Major Programs:

CFDA Number

20.507

Name of Federal Program or Cluster

Federal Transit Operating Assistance Grant

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

**SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
SCHEDULE OF LOCAL REVENUE
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Farebox:		
Line Haul-Farebox (Urban)	\$	212,402
Demand Response-Farebox (Urban)		38,980
Line Haul-Farebox (NonUrban)		6,781
Contract Fares:		
City of Saginaw School District		237,251
Saginaw Charter Township		31,456
Other		80,883
Auxiliary Transportation Revenue:		
Advertising		18,470
Concession Sales		1,055
NonTransportation Revenue:		
Sale of Maintenance Service		22,499
Miscellaneous		7,121
Total Local Operating Revenue		<u>656,899</u>
Property Tax Revenue		1,969,218
Single Business Tax		200,270
Interest Income		44,399
Total Local NonOperating Revenue		<u>2,213,887</u>
Total Local Revenue	\$	<u><u>2,870,786</u></u>

**SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
SCHEDULE OF OPERATING AND CONTRACT EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Expenses:	Urban	NonUrban	Specialized Service	JARC	Total
Labor	\$ 2,505,388	\$ 106,359	\$ -	\$ -	\$ 2,611,747
Fringe Benefits	1,373,775	58,320	-	-	1,432,095
Audit Costs	11,991	509	-	-	12,500
Services	419,489	17,808	-	-	437,297
Material and Supplies	726,249	30,831	-	723	757,803
Utilities	238,407	10,121	-	-	248,528
Insurance	300,330	12,750	-	-	313,080
Purchased Service	-	-	98,924	-	98,924
Miscellaneous	64,168	2,724	-	-	66,892
Interest	760	32	-	-	792
Operating Leases	78,849	3,347	-	-	82,196
Depreciation	1,265,241	53,712	-	-	1,318,953
Total Expenses	\$ 6,984,647	\$ 296,513	\$ 98,924	\$ 723	\$ 7,380,807

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES				
URBAN OAR - REVENUE SCHEDULE				
FOR THE YEAR ENDED SEPTEMBER 30, 2007				
	Description			
			Line Haul	Demand Response
40100	Passenger Fares for Transit Services		\$ 212,402	\$ 38,980
40200	Special Transit Fares		289,532	47,858
40500	Charter Service Revenues		-	-
40600	Auxiliary Transportation Revenues (Explain in Detail)		-	-
	.10 Concessions		775	237
	.15 Advertising		13,575	4,142
	.20 Intercity Ticket Sales		-	-
	.99 Other		-	-
40700	Non-Transportation Revenues (Explain in Detail)		-	-
	.10 Sales of Maintenance Services		16,537	5,046
	.15 Rental of Revenue Vehicles		-	-
	.20 Rental of Buildings and Other Property		-	-
	.25 Parking Lot Revenue		-	-
	.60 Gain on Sale of Fixed Assets		-	-
	.99 Other		5,234	1,597
40800	Taxes Levied Directly for Transit Agency		1,447,367	441,657
40900	Local Cash Grants and Reimbursements (Explain in Detail)		-	-
	.10 General Operating Funds		-	-
	.15 Special Demon. Proj. Assistance		-	-
	.20 Single Business Tax		147,198	44,917
	.99 Other		-	-
41100	State Cash Grants and Reimbursements (Explain in Detail)		-	-
	.01 Formula Operating Funds		1,399,259	426,978
	.05 Planning		-	-
	.06 Marketing		-	-
	.99 Other		-	-
41300	Federal Cash Grants and Reimbursements (Explain In Detail)		-	-
	.01 49 USC Section 5311 (Section) 18 op.		-	-
	.02 49 USC Section 5307 (Sectionn 9) op.		1,243,121	379,332
	.97 Planning		-	-
	.98 RTAP		-	-
	.99 Other		-	-
41400	Interest Income		32,633	9,958
	TOTAL REVENUE		\$ 4,807,633	\$ 1,400,702

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
URBAN OAR - EXPENSE SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Class	Operations		Maintenance		Administration		Total System
	<i>Line Haul</i>	<i>Demand</i>	<i>Line Haul</i>	<i>Demand</i>	<i>Line Haul</i>	<i>Demand</i>	
501 Labor							
Operations Salary & Wages	\$ 1,004,918	\$ 288,142	\$ -	\$ -	\$ -	\$ -	\$ 1,293,061
Other Salary & Wages	148,035	42,446	433,231	124,221	250,892	71,939	1,070,764
Dispatchers Wages	110,018	31,546	-	-	-	-	141,563
502 Fringe Benefits							
Pensions	92,910	26,640	29,928	8,581	10,187	2,921	171,168
Other Fringe Benefits	510,466	146,367	178,691	51,236	245,465	70,383	1,202,608
503 Services							
Advertising Fees	-	-	-	-	27,563	8,411	35,974
Audit	-	-	-	-	9,187	2,804	11,991
Other Services	28,917	8,824	101,273	30,903	163,659	49,940	383,515
504 Materials & Supplies							
Fuel & Lubricants	287,715	87,795	-	-	592	181	376,283
Tires & Tubes	10,422	3,180	-	-	-	-	13,603
Other Materials & Supplies	195,312	59,599	43,914	13,400	18,495	5,644	336,364
505 Utilities							
Utilities	5,922	1,807	246	75	176,499	53,858	238,407
506 Casulty & Liability Costs							
Public Liability	217,691	66,427	-	-	12,421	3,790	300,330
507 Taxes							
Taxes and fees	467	142	1,272	388	2,933	895	6,096
509 Miscellaneous Expenses							
Travel & Meeting	2,519	769	334	102	20,605	6,287	30,615
Association Dues	-	-	-	-	16,896	5,156	22,052
Loss	-	-	-	-	-	-	-
Other Miscellaneous Expenses	-	-	4,149	1,266	-	-	5,415
511 Interest Expense							
Short Term Debt	-	-	-	-	582	178	760
512 Leases & Rentals							
Leases and Rentals	-	-	-	-	60,414	18,435	78,849
513 Depreciation							
Depreciation expense	807,337	246,355	60,550	18,477	101,538	30,984	1,265,241
549 TOTAL EXPENSE	3,422,648	1,010,040	853,587	248,650	1,117,929	331,804	6,984,658
550 LESS INELIGIBLE EXPENSE							
Depreciation	716,892	218,756	53,767	16,407	90,163	27,513	1,123,498
Expenses Assoc. w/Sale of Maint rev	-	-	5,827	1,778	-	-	7,605
Expenses Assoc. w/Advertising revenue	-	-	-	-	-	-	-
Other Ineligible Interest Expense	-	-	-	-	582	178	760
Percent of Association Dues	-	-	-	-	1,159	354	1,512
Other Ineligible Expenses	-	-	-	-	58,800	17,942	76,742
Ineligible Loss on Disposal of Assets	-	-	-	-	-	-	-
Ineligible Charter Expense	-	-	-	-	-	-	-
Other Ineligible FSL	9,692	3,764	-	-	-	-	13,456
TOTAL INELIGIBLE EXPENSE	726,584	222,520	59,594	18,185	150,703	45,986	1,223,573
599 TOTAL ELIGIBLE EXPENSES	\$ 2,696,064	\$ 787,520	\$ 793,993	\$ 230,465	\$ 967,226	\$ 285,817	\$ 5,761,085

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES						
URBAN OAR - NON-FINANCIAL SCHEDULE (UNAUDITED)						
FOR THE YEAR ENDED SEPTEMBER 30, 2007						
		Weekday		Saturday		Total
		LH	DR	LH	DR	
610	Vehicle Hours	49,116	13,951	3,950	2,106	69,123
611	Vehicle Miles	609,608	178,807	64,293	38,202	890,910
615	Passengers-Regular	644,041	2,128	43,884	117	690,170
616	Passengers-Elderly	18,704	6,575	2,397	353	28,029
617	Passengers-Persons w/Disabilities	30,749	13,845	3,875	1,711	50,180
621	Total Line-Haul Passengers	693,494	-	50,156	-	743,650
622	Total Demand Response Passengers	-	22,548	-	2,181	24,729
625	Days Operated	255	-	52	-	307
Total Passengers		768,379				
Note: The methodology used for compiling mileage, hours and passengers on the Authority's OAR schedules is an adequate and reliable method for recording non-financial figures. The Authority utilizes these non-financial figures in its cost allocation of the various types of services provided.						

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES		
NONURBAN OAR - REVENUE SCHEDULE		
FOR THE YEAR ENDED SEPTEMBER 30, 2007		
	Description	
		<i>Line Haul</i>
40100	Passenger Fares for Transit Services	\$ 6,781
40200	Special Transit Fares	12,201
40500	Charter Service Revenues	-
40600	Auxiliary Transportation Revenues (Explain in Detail)	-
	.10 Concessions	43
	.15 Advertising	752
	.20 Intercity Ticket Sales	-
	.99 Other	-
40700	Non-Transportation Revenues (Explain in Detail)	-
	.10 Sales of Maintenance Services	916
	.15 Rental of Revenue Vehicles	-
	.20 Rental of Buildings and Other Property	-
	.25 Parking Lot Revenue	-
	.60 Gain on Sale of Fixed Assets	-
	.99 Other	290
40800	Taxes Levied Directly for Transit Agency	80,193
40900	Local Cash Grants and Reimbursements (Explain in Detail)	-
	.10 General Operating Funds	-
	.15 Special Demon. Proj. Assistance	-
	.20 Single Business Tax	8,156
	.99 Other	-
41100	State Cash Grants and Reimbursements (Explain in Detail)	-
	.01 Formula Operating Funds	90,432
	.05 Planning	-
	.06 Marketing	-
	.99 Other	-
41300	Federal Cash Grants and Reimbursements (Explain In Detail)	-
	.01 49 USC Section 5311 (Section) 18 op.	41,490
	.02 49 USC Section 5307 (Sectionn 9) op.	-
	.97 Planning	-
	.98 RTAP	-
	.99 Other	-
41400	Interest Income	1,808
	TOTAL REVENUE	\$ 243,063

**SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
NONURBAN OAR - EXPENSE SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Class	Operations	Maintenance	Administration	Total System
501 Labor				
Operations Salary & Wages	\$ 54,893	\$ -	\$ -	\$ 54,893
Other Salary & Wages	8,086	23,665	13,705	45,456
Dispatchers Wages	6,010	-	-	6,010
502 Fringe Benefits				
Pensions	5,075	1,635	556	7,266
Other Fringe Benefits	27,884	9,761	13,408	51,053
503 Services				
Advertising Fees	-	-	1,527	1,527
Audit	-	-	509	509
Other Services	1,602	5,611	9,068	16,281
504 Materials & Supplies				
Fuel & Lubricants	15,941	-	33	15,974
Tires & Tubes	577	-	-	577
Other Materials & Supplies	10,821	2,433	1,025	14,279
505 Utilities				
Utilities	328	14	9,779	10,121
506 Casulty & Liability Costs				
Public Liability	12,061	-	688	12,750
507 Taxes				
Taxes and fees	26	70	162	259
509 Miscellaneous Expenses				
Travel & Meeting	140	18	1,142	1,300
Association Dues	-	-	936	936
Loss on Disposal of Assets	-	-	-	-
Other Miscellaneous Expenses	-	230	-	230
511 Interest Expense				
Short Term Debt	-	-	32	32
512 Leases & Rentals				
Leases and Rentals	-	-	3,347	3,347
513 Depreciation				
Depreciation expense	44,731	3,355	5,626	53,712
549 TOTAL EXPENSE	188,177	46,792	61,544	296,513
550 LESS INELIGIBLE EXPENSE				
Depreciation	39,720	2,979	4,996	47,695
Expenses Assoc. w/Sale of Maint rev	-	323	-	323
Expenses Assoc. w/Advertising revenue	-	-	-	-
Other Ineligible Interest Expense	-	-	32	32
Percent of Association Dues	-	-	64	64
Other Ineligible Expenses	-	-	3,258	3,258
Ineligible Loss on Disposal of Assets	-	-	-	-
Ineligible Charter Expense	-	-	-	-
Other Ineligible FSL	571	-	-	571
TOTAL INELIGIBLE EXPENSE	40,291	3,302	8,350	51,943
599 TOTAL ELIGIBLE EXPENSES	\$ 147,885	\$ 43,490	\$ 53,194	\$ 244,570

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES				
NONURBAN OAR - NON-FINANCIAL SCHEDULE (UNAUDITED)				
FOR THE YEAR ENDED SEPTEMBER 30, 2007				
		Weekday	Saturday	Total
610	Vehicle Hours	2,716	218	2,934
611	Vehicle Miles	33,710	3,555	37,265
615	Passengers-Regular	24,745	1,686	26,431
616	Passengers-Elderly	719	92	811
617	Passengers-Persons w/Disabilities	1,181	149	1,330
621	Total Line-Haul Passengers	26,645	1,927	28,572
622	Total Demand Response Passengers	-	-	-
625	Days Operated	255	52	307
Total Passengers		28,572		
Note:	The methodology used for compiling mileage, hours and passengers on the Authority's OAR schedules is an adequate and reliable method for recording non-financial figures. The Authority utilizes these non-financial figures in its cost allocation of the various types of services provided.			

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES		
JARC OAR - REVENUE SCHEDULE		
FOR THE YEAR ENDED SEPTEMBER 30, 2007		
	Description	
		<i>Demand Response</i>
40100	Passenger Fares for Transit Services	\$ -
40200	Special Transit Fares	-
40500	Charter Service Revenues	-
40600	Auxiliary Transportation Revenues (Explain in Detail)	-
	.10 Concessions	-
	.15 Advertising	-
	.20 Intercity Ticket Sales	-
	.99 Other	-
40700	Non-Transportation Revenues (Explain in Detail)	-
	.10 Sales of Maintenance Services	-
	.15 Rental of Revenue Vehicles	-
	.20 Rental of Buildings and Other Property	-
	.25 Parking Lot Revenue	-
	.65 Gain on Sale of Fixed Assets	-
	.99 Other	-
40800	Taxes Levied Directly for Transit Agency	-
40900	Local Cash Grants and Reimbursements (Explain in Detail)	-
	.10 General Operating Funds	-
	.15 Special Demon. Proj. Assistance	-
	.20 Single Business Tax	-
	.99 Other	-
41100	State Cash Grants and Reimbursements (Explain in Detail)	-
	.01 Formula Operating Funds	-
	.05 Planning	-
	.06 Marketing	-
	.99 Other	723
41300	Federal Cash Grants and Reimbursements (Explain In Detail)	-
	.01 49 USC Section 5311 (Section) 18 op.	-
	.02 49 USC Section 5307 (Sectionn 9) op.	-
	.97 Planning	-
	.98 RTAP	-
	.99 Other	-
41400	Interest Income	-
	TOTAL REVENUE	\$ 723

SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
JARC OAR - EXPENSE SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Object					
Class	Operations	Maintenance	Administration	Total System	
501 Labor					
Operations Salary & Wages	\$ -	\$ -	\$ -	\$ -	
Other Salary & Wages	-	-	-	-	
Dispatchers Wages	-	-	-	-	
502 Fringe Benefits					
Pensions	-	-	-	-	
Other Fringe Benefits	-	-	-	-	
503 Services					
Advertising Fees	-	-	-	-	
Audit	-	-	-	-	
Other Services	-	-	-	-	
504 Materials & Supplies					
Fuel & Lubricants	-	-	-	-	
Tires & Tubes	-	-	-	-	
Other Materials & Supplies	-	-	723	723	
505 Utilities					
Utilities	-	-	-	-	
506 Casulty & Liability Costs					
Public Liability	-	-	-	-	
507 Taxes					
Taxes and fees	-	-	-	-	
509 Miscellaneous Expenses					
Travel & Meeting	-	-	-	-	
Association Dues	-	-	-	-	
Loss on Disposal of Assets	-	-	-	-	
Other Miscellaneous Expenses	-	-	-	-	
511 Interest Expense					
Short Term Debt	-	-	-	-	
512 Leases & Rentals					
Leases and Rentals	-	-	-	-	
513 Depreciation					
Depreciation expense	-	-	-	-	
549 TOTAL EXPENSE	-	-	723	723	
550 LESS INELIGIBLE EXPENSE					
Depreciation	-	-	-	-	
Expenses Assoc. w/Sale of Maint rev	-	-	-	-	
Expenses Assoc. w/Advertising revenue	-	-	-	-	
Other Ineligible Interest Expense	-	-	-	-	
Percent of Association Dues	-	-	-	-	
Other Ineligible Expenses	-	-	-	-	
Ineligible Loss on Disposal of Assets	-	-	-	-	
Other Ineligible FSL	-	-	-	-	
TOTAL INELIGIBLE EXPENSE	-	-	-	-	
599 TOTAL ELIGIBLE EXPENSES	\$ -	\$ -	\$ 723	\$ 723	

**SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES
SCHEDULE OF OPERATING AND CONTRACT EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Urban</u>	<u>NonUrban</u>
Total Expenses	<u>\$ 6,984,647</u>	<u>\$ 296,513</u>
Less Ineligible Expenses:		
Interest Expense	760	32
Depreciation	1,123,498	47,695
Association Dues	1,512	64
Sale of Maintenance Service	7,605	323
Ineligible FSL	13,456	571
Other	76,742	3,258
Total Ineligible Expenses Per R&E Manual	<u>1,223,573</u>	<u>51,943</u>
Total State Eligible Expenses	<u>\$ 5,761,074</u>	<u>\$ 244,570</u>

Eligible Expenses for State Reimbursement	\$ 5,761,074	\$ 244,570
x Reimbursement Percentage	<u>0.325231</u>	<u>0.386208</u>
State Operating Assistance	<u>\$ 1,873,680</u>	<u>\$ 94,455</u>

Total Federal Eligible Expenses

Less Additional Federal Ineligible Expenses Per A-87
Audit Costs

\$ 509

Eligible Expenses for Federal Reimbursement		\$ 244,061
x Reimbursement Percentage	<u>N/A</u>	<u>0.17</u>
Federal Section 5307 and 5311 Operating Assistance	<u>\$ 1,622,453</u>	<u>\$ 41,490</u>